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PURCHASE PRICES FOR SOVIET AGRICULTURAL PRODUCTS
AND THE NEW AGRICULTURAL PROCUREMENT POLICY

[Summary: This report provides information on the new agri-
 cultural products procurement policy, whereby obligatory deliveries
 of agricultural products to the state were reduced and surplus prod-
 ucts were made available to kolkhozes and kolkhoz farmers to sell
 at increased prices. The report discusses the contract system and the
 revised structure of state procurement and purchase prices, effected
 7 September 1953, and includes examples illustrating the implemen-
 tation of the new policy as well as operational details.

Numbers in parentheses refer to appended sources.]

Reduced Obligatory Deliveries, Increased State Purchase and Procurement Prices

In the last years of World War II and in the early postwar years, state
 purchases of grain and other basic food products were non-existent. However,
 in that period, decentralized purchases of potatoes, vegetables, meat, milk,
 mushrooms, and berries were carried out by the workers' supply divisions (ORS)
 of enterprises and institutions at prices not exceeding purchase (zakupochnyye)
 prices fixed by the state. Through these purchases, additional food supplies
 could be acquired to supplement the food supplies made available to workers
 and employees through the ration system. However, since so many organizations
 were making these food purchases, the purchasing regulations were violated
 (products were frequently purchased from kolkhozes which had not fulfilled their
 obligatory food deliveries to the state), and purchase prices often exceeded the
 established limits.

Consequently, decentralized purchases by the workers' supply divisions and
 other organizations were discontinued, and in 1946 the cooperative societies
 were made responsible for purchasing surplus agricultural products. Until 1948,
 these purchases were made at market prices, and in 1948 maximum purchase prices
 were instituted by the government. Cooperative organizations did not have the
 right to make purchases at higher than the fixed prices.

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These limitations on the purchasing activities of cooperatives played an important part in increasing the accumulations of excessively large stocks of agricultural products. This is illustrated by the following table, showing the purchases of potatoes and vegetables in the period 1947-1952:

<u>Year</u>	<u>Potatoes</u> <u>(1,000 tons)</u>	<u>Vegetables</u> <u>(1,000 tons)</u>
1947	138.4	161.7
1948	427.3	171.5
1949	391.2	87.2
1950	163.7	105.1
1951	266.2	123.4
1952	163.7	166.6

The above data indicate that the total purchases were not great, and instead of being increased, in some years were even reduced. Food purchases by cooperatives were poorly organized. Kolkhozes showed little interest in selling their products to cooperatives because of the great difference between the maximum purchase prices and the state retail prices, as shown in the following table:

<u>Products</u>	<u>Maximum Purchase</u> <u>Prices in % of</u> <u>1952 State Re-</u> <u>tail Prices</u>
Potatoes	33.3
Cabbage	19.2
Carrots	23.0
Onions	51.4
Cucumbers	25.0
Tomatoes	23.3
Meat	51.0
Milk	45.4

Because of the great difference between state retail and maximum purchase prices, kolkhozes tried to sell agricultural products at the market at higher prices. As a result, receipts from the sale of products at kolkhoz markets, and not the money received for products delivered to the state and to cooperatives, constituted the chief monetary income of kolkhozes of individual rayons and oblasts.(1)

The system of procurement and purchase prices on agricultural products, which was in operation until recently [September 1953], became obsolete and did not accurately reflect the present-day labor and material expenditure involved in the production of these products. N. S. Khrushchev, in his address to the September Plenum of the Central Committee of the CPSU, indicated that on the whole, in the USSR, the profit derived from the sale of industrial crops produced by one worker in one workday amounted to approximately 18 rubles, while the profit derived from the delivery and sale of products resulting from livestock raising amounted to only 5 rubles. This discrepancy in the system of procurement prices caused livestock raising to appear less advantageous economically, compared with other branches of agriculture. In addition, the cultivation of grain was not sufficiently encouraged.

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These and other discrepancies show that the system of procurement prices must have an economic basis, and that the level of procurement prices must be related to the law of distribution based on labor expenditure and the law of cost.(2)

The decree of the Plenum of the Central Committee of the CPSU of 7 September 1953 marked the beginning of a new stage in the development of state purchases of agricultural products. State purchases represented a powerful economic stimulus for the development of basic branches of agriculture.

In order that a large number of kolkhozes and kolkhoz farmers might have surplus products for sale and might avail themselves of the advantages of state purchases as early as 1953, it was considered expedient to lower the norms of obligatory deliveries of animal products and of potatoes and vegetables. Accordingly, quotas for obligatory potato and vegetable deliveries in 1953 were reduced and new plans for their purchase were established. Plans for obligatory potato and vegetable deliveries were revised to the greatest extent in areas located near large cities and industrial centers, where they had been considerably higher than in other areas. For example, in Moskovskaya Oblast, the 1953 plan for obligatory potato deliveries was 31 percent of the 1952 plan; and for vegetable deliveries, 12 percent. In Leningradskaya Oblast, the 1953 plan for obligatory potato deliveries was 51 percent, and for vegetable deliveries, 9 percent of the 1952 plan. For rayons directly bordering on Moscow, the 1953 plan, in percent of the 1952 plan, was as follows: in Ukhtomskiy Rayon, potatoes, 6 percent and vegetables, 6 percent; and in Leninskiy Rayon, 12 percent and 6 percent, respectively. This considerable curtailment of the plan has greatly increased the surpluses of these products available for state purchases and for the kolkhoz trade system.

As a result, state purchases in 1953 will constitute a substantial part of the over-all amount of food products received by the state, as shown in the following table (in percent).

	<u>Potatoes</u>			<u>Vegetables</u>		
	<u>Total Delivered to State</u>	<u>Obligatory Deliveries</u>	<u>Pur- chases</u>	<u>Total deliv- ered to State</u>	<u>Obligatory Deliveries</u>	<u>Purchases</u>
USSR	100	71.7	28.3	100	66.7	33.3
Moskovskaya Oblast	100	38.3	61.7	100	22.0	78.0
Leningradskaya Oblast	100	47.0	53.0	100	15.5	84.5
Sverdlovskaya Oblast	100	47.7	52.3	100	42.0	58.0
Ryazanskaya Oblast	100	70.6	29.4	100	65.4	34.6

The proportion of potato and vegetable purchases in such important industrial centers of the country as Moskovskaya, Leningradskaya, and Sverdlovskaya oblasts is especially great. The plans for potato and vegetable purchases in these areas considerably exceed the plans for obligatory deliveries of these products. This has been done to induce kolkhozes of suburban areas to expand potato and vegetable production to benefit the state, the city population, and the kolkhozes.

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At the same time, state purchase prices on many products were raised considerably, and the differential between state purchase prices and retail prices was reduced.

The differential between the new state purchase prices and retail prices generally amounts to the expenditures of trade and procurement organizations for transport, packing, storage, and sale of the products. It is a well-known fact that considerable expenditures are entailed in the shipping, sorting, storage, packing, distribution, and sale of vegetables and potatoes. Moreover, there is always some waste due to the lengthy storage of potatoes and vegetables. All these expenditures must be covered by the differential between retail prices and the prices at which the kolkhoz sells its products to the state. Otherwise, trade in potatoes and vegetables would be unprofitable and its development would be impeded. Therefore, the increase in the procurement and purchase prices on potatoes and vegetables effected in 1953 resulted in the maximum prices. Further increases on these prices are not possible, since they would be detrimental to trade.

Increase in State Purchase Prices and Relationship Between
New Purchase Prices and Retail Prices in Moskovskaya Oblast

<u>Products</u>	<u>1953 Purchase Price, in % of 1952 Price</u>	<u>1953 Purchase Price, in % of Retail Price</u>
Tomatoes	171	
Cucumbers	160	80.0
Potatoes	100	80.0
Carrots	100	66.6
Beef of average fatness		54.0
Milk, per liter	130	73.2
Eggs (spring and summer), per ten	150	68.2
	115	71.4

The increase in purchase and procurement prices, the reduction of obligatory deliveries, and the increase in state purchases have greatly raised the monetary income of kolkhozes. Kolkhozes and kolkhoz farmers of Moskovskaya and Leningradskaya oblasts, according to the 1953 plan, are supplying fewer potatoes in the form of obligatory deliveries and state purchases than they did in 1952 in the form of obligatory deliveries alone. In 1953, kolkhozes and kolkhoz farmers of Moskovskaya Oblast will receive not less than 54.7 million rubles for the sale of potatoes including 9.4 million rubles for obligatory potato deliveries and 45.3 million rubles for state purchases. In 1952, they would have received 8.8 million rubles for the same quantity of potatoes, or one sixth of the 1953 receipts. Kolkhozes and kolkhoz farmers of Leningradskaya Oblast will receive 11.1 million rubles in 1953, as against 1.9 million rubles in 1952.(1)

Following the decree to increase procurement and purchase prices on animal products, potatoes, and vegetables, the procurement prices on obligatory live-stock and poultry deliveries were increased more than 450 percent; on milk and butter, 100 percent; on potatoes, 150 percent; and on vegetables, from 25 to 60 percent. Purchase prices on meat have increased an average of 30 percent, and on milk, 50 percent.

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The increase of procurement and purchase prices will give kolkhozes and kolkhoz farmers large additional incomes. In the Kolkhoz imeni Khrushchev of Leninskiy Rayon, for example, the total income amounted to 3,718,000 rubles in 1952. In 1953, because of the increase in procurement and purchase prices, the income of this kolkhoz will increase by more than 540,000 rubles, of which the kolkhoz will receive the following amounts (in rubles) for deliveries to the state:

Obligatory deliveries	
and milk	50,000
Potatoes	50,000
Vegetables	330,000
Meat	11,000

The Kolkhoz imeni Stalin of Kuntsevskiy Rayon will receive approximately 400,000 rubles in additional income. Of this amount, the increase in procurement and purchase prices on animal products will provide 80,000 rubles; on potatoes, 70,000 rubles; and on vegetables, 250,000 rubles.

For obligatory deliveries of meat to the state, kolkhozes and kolkhoz farmers will now receive the following prices per live-weight kilogram:

Cattle and sheep of average fatness	1 ruble 50 kopeks
Hogs	3 rubles 20 kopeks
Hens and chickens	5 rubles
Turkeys	6 rubles
Ducks and geese	4 rubles

The established price per kilogram of rabbit is 1 ruble 20 kopeks, not including the cost of the pelt.

The new procurement price on milk is 55 kopeks per liter; creamery butter, 9 rubles per kilogram; and melted butter, 12 rubles per kilogram.

For one kilogram of first-quality fine wool (with a 42-percent pure wool yield), kolkhozes receive 28 rubles 20 kopeks, according to the new procurement prices; for one kilogram of semifine wool of first quality (with a 45-percent pure wool yield), 18 rubles 40 kopeks; of semicoarse spring wool (with a 52-percent pure wool yield), 13 rubles 30 kopeks; and of coarse wool, an average of 9 rubles 53 kopeks.

The prices on animal products which kolkhozes and kolkhoz farmers of Moskovskaya Oblast are selling to the state in addition to the obligatory deliveries have also been considerably increased. According to these prices, one live-weight kilogram of cattle and sheep of average fatness is worth 4 rubles 40 kopeks; hogs, 7 rubles 50 kopeks; ducks and geese, 8 rubles 50 kopeks. The state encourages kolkhozes and kolkhoz farmers to sell meat not only in the fall, but in spring and summer; therefore, special price increases are established for products sold during this time.

The [state] purchase price for 10 eggs is 5 rubles, and for one liter of milk, 1 ruble 20 kopeks. However, in those rayons of the oblast which deliver milk to Moscow, the established price is 1 ruble 50 kopeks. Kolkhozes and kolkhoz farmers delivering milk to Moscow from 1 October to 1 May receive an additional price increase of 20 kopeks per liter.

At present [October 1953], it is very advantageous for kolkhozes and kolkhoz farmers to sell as many animal products as possible to the state. Aside from increasing their own monetary income as a result of the increased prices, kolkhozes and kolkhoz farmers are granted a number of privileges for making timely deliveries of milk, meat, eggs, and wool to the state. For each

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100 rubles' worth of animal products sold to the state, kolkhozes can obtain 100 rubles' worth of various manufactured goods at retail prices.

Should kolkhozes prefer to obtain feed concentrates instead of manufactured goods, in exchange for milk and butter sold to the state, they can buy oil cake, bran, and all-mash. In selling meat to the state, 4 metric quintals of feed are allowed for one live-weight metric quintal of cattle and sheep; and 5.5 metric quintals of feed concentrates are allowed for one live-weight metric quintal of hogs and poultry.

Kolkhozes must conclude special contracts with procurement organizations for the sale of animal products. To provide a financial incentive for kolkhozes and to encourage them not only to fulfill the concluded contracts but to sell products above the plan, the state has established additional monetary premiums of 20 percent. The kolkhoz can receive these premiums for meat sold in excess of 30 percent above the obligatory meat deliveries. The kolkhozes also receive a 20-percent premium for milk and eggs sold to the government in excess of 50 percent above the obligatory deliveries.(3)

To increase the monetary income of kolkhozes concluding contracts for the sale of meat and milk under the state purchasing system, a monetary advance of 30 percent of the purchase price of these products will be paid each quarter on products to be delivered under contract within that quarter.(4) In like manner, the Central Union of Consumer Cooperatives has now been extended the right to issue to kolkhozes monetary advances of 25 percent of the cost of potatoes and vegetables purchased from them.(5) By the decree of the February-March 1954 Plenum of the Central Committee of the CPSU, the Central Union can sell trucks, automobile tires, electric motors, construction materials, and manufactured and household goods to kolkhozes which provide grain under the state purchasing system, at a rate of 50 rubles' worth of these commodities at retail prices for each 100 rubles' worth of grain.(6)

Kolkhozes have also been extended the right to issue kolkhoz farmers advances amounting to approximately 25 percent of the money income received by the kolkhoz from the sale of livestock and livestock products. This advance payment is issued to kolkhoz farmers every quarter in amounts up to 15 percent for all workdays spent on collective farm work and up to 10 percent for workdays spent on livestock raising and fodder procurement.(4)

When kolkhozes, in addition to fulfilling the purchase contracts, fulfill the plans for increasing the number of cattle, sheep or hogs and for wool and meat deliveries to the state, as well as the plan for payment in kind for MIS work, the obligatory delivery norms established for kolkhozes on milk, wool, or meat will be lowered 10 percent in the following year.

In addition, kolkhozes are encouraged to expand livestock raising, to meet the plan for construction of livestock buildings, and to produce adequate supplies of fodder. In fulfilling their obligatory deliveries and in meeting the contracts for the sale of animal products to the state, kolkhozes become entitled to a state bonus in the form of one truck or automobile.

In the decree of the Council of Ministers USSR and the Central Committee of the party, "Concerning Measures for Increasing Production and Procurement of Potatoes and Vegetables in Kolkhozes and Sovkhozes From 1953 to 1955," it is indicated that after fulfillment of obligations for delivery of potatoes and vegetables to the state, the kolkhozes will still retain a large amount of these food products.

In Moskovskaya Oblast, the procurement price on obligatory deliveries to the state was set at 100 rubles per ton for late potatoes, and 250 rubles per ton

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for early potatoes delivered before 31 July; from 1 to 15 August, the price is 200 rubles; and 125 rubles for delivery from 16 to 31 August. In delivering potatoes to the state, kolkhozes also receive the usual bonuses for quality, size, and starch content of the potatoes, and for early delivery.

The following prices are established for late vegetables of the first quality, depending on the area of cultivation:

<u>Product</u>	<u>Rubles per Ton</u>
Cabbage	100 - 200
Onions	350 - 1,000
Cucumbers	300 - 1,000
Carrots	130 - 300
Beets	80 - 200
Tomatoes	350 - 1,500

The following prices are paid for early vegetables sold as obligatory deliveries, depending on the time of delivery and area of cultivation:

<u>Product</u>	<u>Rubles per Ton</u>
Early cabbage	120 - 625
Garden cucumbers	500 - 1,100
Garden tomatoes	600 - 1,500
Early carrots	180 - 500
Garden beets	90 - 450

In Moscow and other cities of the oblast, kolkhozes often deliver vegetables directly to the stores and dining rooms. The government has decreed that the products which kolkhozes deliver to stores and dining rooms, such as hothouse vegetables, early garden greens, and early potatoes, must be paid for at retail prices, with a 25-percent discount.

Potatoes and other vegetables are purchased by the state from kolkhozes at the following fixed purchase prices:

<u>Product</u>	<u>Rubles per Ton</u>
Potatoes	300
Cabbage	250
Carrots	350
Beets	250
Cucumbers	450 - 1,200*
Tomatoes	550 - 2,000*

* Depending on cultivation area

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The same system is established for payment of salted and pickled vegetables.

Kolkhozes of Moskovskaya Oblast specializing in the production of potatoes and vegetables can purchase, for each 10 metric quintals of such crops delivered to the state, one metric quintal of grain in state warehouses at uniform retail prices, with a 40-percent discount.

In 1953, kolkhozes will receive nearly 3.8 billion rubles of additional income from milk and meat deliveries. By putting into practice measures for further development of agriculture, kolkhozes and kolkhoz farmers will receive in 1953 a total of over 13 billion rubles in additional income, and in 1954 they will receive over 20 billion rubles of additional income.(3)

Sale of Agricultural Products in Suburban Areas

In 1940, the proportion of vegetables produced in the Moscow suburban zone and brought into Moscow and industrial centers of Moskovskaya Oblast amounted to only 35.5 percent of the total agricultural production of the zone, and in 1952 it increased to 51.1 percent. Since the vegetable production in kolkhozes of the zone must be increased considerably in accord with the tasks decreed by the September 1953 Plenum of the Central Committee of the CPSU, the areas under vegetable cultivation in kolkhozes of the Moscow suburban zone have been expanded. As the result of the grass-field system of crop rotation, improvement of agricultural techniques, and increased mechanization of labor over the past years, vegetable yields have been somewhat increased. However, they are still extremely unsteady. For example, according to data of the past 16 years, the cabbage harvest has fluctuated from 92 to 248 metric quintals per hectare; cucumbers, from 43.5 to 120 metric quintals, and tomatoes, from 74 to 147 metric quintals. It is clear that with such fluctuations it is impossible to establish permanent vegetable bases in the suburban zone. The yield of vegetables per hectare of sown areas has remained practically unchanged since 1940.

The experience of leading kolkhozes indicates that the yield from vegetable crops in the Moscow suburban zone can be doubled and even tripled. Leading kolkhozes with large crop areas receive steady harvests of cabbage amounting to 60-70 tons per hectare; carrots, 50-60 tons; and onions, 30-34 tons. The causes of the over-all lag in vegetable production revealed by the September 1953 Plenum also apply in the case of kolkhozes of the Moscow suburban zone. The existing procurement and purchase prices on vegetables did not sufficiently encourage kolkhozes and kolkhoz farmers to step up vegetable production. Errors permitted in calculation of vegetable procurement norms, especially the increased norms for leading kolkhozes, undermined the interest of kolkhozes in striving for high harvests and in marketing their vegetable products.

These deficiencies, hindering the development of vegetable production, have now been eliminated. Higher purchase prices on late and early vegetables, lowered norms for vegetable deliveries, and a widely expanded system of state purchases under the contract system now permit the government to plan in advance the amount of production remaining after the obligatory deliveries have been fulfilled. Such a system makes it possible to grant monetary advances to kolkhoz farmers.

Purchase prices on vegetables in the USSR as a whole are being increased, on the average, 25-40 percent. Additional increases are granted on procurement prices for cabbage, onions, carrots, and beets received from suburban kolkhozes.

To eliminate the lag of early vegetable production, procurement prices on early vegetables have also been increased, with additional price mark-ups granted

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to suburban zones. Hothouse produce and early greens will be procured by stores and public eating enterprises at retail prices with a 25-percent discount.

Moreover, the sale of grain from state supply houses at uniform retail zoned (poyasnykh) prices with a 40-percent discount on the fixed price is an important incentive for suburban kolkhozes. This sale is contingent on the fulfillment of obligatory deliveries and payments in kind to be made, and will be carried out at a rate of one metric quintal of grain of each 10 metric quintals of potatoes and vegetables.

Since many kolkhozes specialize in vegetable and potato cultivation, and to stimulate their further expansion, a reduction of 25 percent on obligatory grain deliveries is granted to kolkhozes in suburban zones and in zones containing the alcohol, starch, molasses, and drying and canning industries, where the potato and vegetable area under cultivation is 10-15 percent of the total sown area; and 50 percent to kolkhozes sowing 15-20 percent of their total area to potatoes and vegetables. Kolkhozes sowing more than 20 percent of their total area to potatoes and vegetables are completely relieved of any obligatory grain deliveries to the state. These privileges are granted only when the obligatory deliveries of potatoes and vegetables to the state for the current year have been made, and payments in kind to MTS, as well as the return of any borrowed potato stocks, have been carried out.

In the Moscow suburban zone, many kolkhozes and even whole rayons are eligible for these privileges.

Radical changes are now taking place in the type of sale that can be made by kolkhozes in marketing vegetables, as illustrated by the following data:

	1952 Actual Sale (in % of total)	1953 Planned Sale (in % of total)
Obligatory deliveries to the state	96.2	21.9
State purchases	3.8	78.1
Total	100.0	100.0

According to the table, trade relationships between kolkhozes and the state in 1952 consisted chiefly of vegetable deliveries to the state. The proportion of sales to the state and cooperatives was not large. The 1954 [sic; presumably 1953] plan provides essential changes in the sale of vegetable produce, decreasing the proportion of deliveries to the state and increasing considerably state purchases under the contract system.

Present [December 1953] procurement prices on potatoes are 2 1/2 times higher [than those in effect before the September 1953 Plenum]. Under the decreased delivery norms, kolkhozes are now also able to sell a considerable quantity of potatoes at the purchase price, which is 8.3 times higher than the former procurement price.

Further increases in the commodity output of potatoes by suburban kolkhozes are contingent upon increased yields through broader mechanization and the use of the checkrow method of cultivation, expansion of early potato crops, and planting crops in better soil. Increased procurement prices, decreased deliveries, and expanded purchases at highest purchase prices, as well as the change in rates of payment in kind, will promote a very rapid development of potato sales.

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Measures for increasing livestock raising and the marketability of dairy products have also been worked out. Procurement prices on milk are being doubled, and purchase prices for kolkhozes of the Moscow suburban zone are being increased threefold.(4)

Contract System in Operation

The contract system is now [March 1954] one of the chief means of state procurement of agricultural products. A large number of industrial crops of national economic importance, such as cotton, sugar beets, fiber and seed flax and hemp, tobacco, makhorka, several oil crops, new bast crops, fruit, wine, tea, and medicinal and melon crops are now procured under the contract system.

The contract system as a type of procurement of agricultural products originated a long time ago. Now, however, according to resolutions of the September 1953 and February 1954 plenums of the Central Committee of the CPSU, its importance is increasing. Contractual purchases are arranged for grain surpluses, potatoes, vegetables, oil seeds, meat, milk, and other products which remain in the kolkhozes after obligatory deliveries and payment in kind for MTS work have been carried out, grain has been laid in, and other requirements satisfied.

The contractual agreements are carried out in a form of bilateral agreements between state procurement organizations and the kolkhozes on the basis of the state contracts plan for a given agricultural product, established yearly by the Soviet government for republics, krais, and oblasts. The contract plan is established for a republic, kray, or oblast by a resolution of the Council of Ministers of the republic or by the kray or oblast executive committee of the council of workers' deputies, and is extended to the rayons. In bringing the state contracts plan to the rayons, the oblast executive committees differentiate between quantitative and qualitative tasks according to local natural and economic peculiarities.

In any contractual agreement between the purchasing official of a state procurement organization and the supplying kolkhoz, both sides carry certain obligations. Obligations on the part of the supplying kolkhoz are the sowing of a fixed amount of crops contracted for in the agreement, the delivery of a certain quality and quantity of raw materials to the purchaser, the observance of delivery schedules, and the repayment of monetary advances. Obligations on the part of the contracting organization are payment for delivered output at fixed prices, the issuance of monetary advances, the payment of fixed premiums in addition to the procurement price, and the countersale (otovarivaniye) of manufactured commodities and food products.

The contract system makes it essential to provide for the proper implementation of basic agricultural production processes. In this connection, agrotechnical obligations specified in the contract are very important. The following are most frequently provided for in the contracts: the use of a specific sown area and type of soil for a given crop, correct preparation of soil, timely utilization of fertilizer, thorough and timely plowing and sowing, proper care of crops (weeding, hilling, and irrigating), and prompt harvesting. State procurement organizations, in turn, are obligated to aid kolkhozes by providing the best seeds and by helping them fight pests and plant diseases.

For example, the following terms are specified in the agreement operating at present in the fiber-flax contract system:

1. On the part of the supplying kolkhoz: delivery of stipulated quality and quantity of fiber and seed flax from a determined crop area in a certain period, to be transported to the procurement point by the kolkhoz. In addition, the kolkhoz is obligated to carry out the following agrotechnical measures:

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weeding the flax crops, pulling the flax quickly after it has become ripe, threshing the flax rapidly after the sheaves have matured (to be completed not later than 10 days after harvest), spreading most of the straw flax in August (to be completed not later than 15 September), raising the straw on schedule from the retting area, and sorting it for quality.

2. On the part of the receiver office of "Glavzagotlen" (Main Administration for the Procurement of Flax: delivery of a monetary advance to the kolkhoz amounting to 15 percent of the cost of the fiber contracted for; prompt payment for products received at procurement prices in effect, as well as the payment of premiums in addition to the procurement price for products delivered in addition to the contracted amount; the sale of wheat, cotton, textiles, vegetable oil, or sugar, as well as oil cake, to kolkhozes in a specified amount and at corresponding prices.

Thus, contract agreements for agricultural products provide a whole system of technical and economic measures for increased production and supply.

The following material incentives are used in the contract system to stimulate production: (a) Payment for products at established contract prices, the price depending on the quality and quantity of products delivered. (b) Payment of premiums, in addition to the basic procurement price, upon the delivery of products above the established minimum. The size of the premium is proportionately increased with each additional delivery per hectare of crop. (c) Issuance of monetary advances to kolkhozes for contracted produce. The amount of advance is directly proportionate to the quantity and quality of produce which the kolkhoz is obligated to deliver according to the contract. (d) Countersale to kolkhozes of industrial goods and food products at advantageous prices. Norms of countersale are established per unit of produce supplied by the kolkhozes; therefore the total amount of commodities received will depend on the amount of agricultural products delivered according to the contract.

In addition, other material incentives are employed in the contract system for certain products.

Under noncontractual procurement, there are two systems of delivery prices on grain, potatoes, oil seeds, vegetables, meat, milk, and other products procured through obligatory deliveries and state purchases: the procurement prices on products turned over as obligatory deliveries, and the higher purchase prices. Consequently, the most important aspect of obligatory deliveries is the definite limitation of delivery norms, the violation of which is punishable by law. This guarantees the kolkhozes the opportunity to sell surplus products at increased purchase prices and encourages them to increase the yield of agricultural crops and livestock productivity to obtain more surplus produce.

The situation is somewhat different in the case of the contract system of procurement which covers industrial crops. Under this system, there is no two-fold price structure; the whole commodity output is sold at single contract prices. The structure of contract prices is different from that of procurement prices under obligatory deliveries. Contract prices are closer to the true value of agricultural products. These prices not only cover the production expenditures of kolkhozes, but guarantee surpluses above the expenditures and to a much greater extent than procurement prices under obligatory deliveries. This surplus over production outlay is the means for accumulation and expansion of production in the kolkhozes, and increasing incomes of kolkhoz farmers.

The material incentive of kolkhoz farmers is further stimulated by the issuance of monetary advances under the contract system. The payment of advances for cotton is based on the number of tons of cotton which are to be delivered according to the agreement. The amount of the advances also differs according to the grade of cotton, in the same way that procurement prices differ.

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Higher prices and advances apply to high quality fine-fiber cotton. Consequently, the total amount of advances received by a kolkhoz specializing in cotton production depends on the quantity and quality of cotton contracted, as the following table indicates:

	Amount of Advance per ton of Contracted Raw Cotton (rubles)	
	<u>Soviet Grade</u>	<u>Soviet Fine-Fiber Grade</u>
After conclusion of a contract	300	450
After thinning and primary processing inspection	250	400
After secondary processing inspection	200	350

Such a system and schedule of advances stimulates the timely sowing and the interrow cultivation of cotton plant, which is very important in increasing the cotton yield. Most of the advance payments received by kolkhozes in cotton contracting must be distributed among the farmers according to workdays. In this way, the material incentives are extended to individual workers as well.

The system of premiums added to the procurement price and based on a progressively higher ratio of delivered output is particularly significant in stimulating production. The higher the output per unit of above-plan production, the higher the premium. For example, the scale of premiums for cotton of Soviet grade in irrigated areas is as follows:

<u>Raw Cotton per Hectare of Crops Under Planned Delivery (in metric quintals)</u>	<u>Premiums in % of the Procurement Price per Metric Quintal of Cotton Delivered Above Plan</u>
Up to 6	50
From 6 to 10	100
From 10 to 15	150
Over 15	200

The premium system also applies in the cultivation of sugar beets, hemp, fruit, grapes, and other agricultural products under contract.(6)

Increased procurement and purchase prices, the contract system, and the development of the system of countersale have had a favorable effect on the kolkhoz economy. For example, the Kolkhoz imeni Malenkov of Voroshilovskiy Rayon in Stavropol'skiy Kray received 700,000 rubles' worth of additional income in 1953 through increased prices on agricultural products. Moreover, it was shown that from 1 January to 1 September 1953, the kolkhoz sold 52 tons of meat and 32 tons of milk to procurement organizations, while from 1 September to 1 November 1953, it sold 128 tons of meat and 108 tons of milk. For products sold after the fulfillment of its contracts, the kolkhoz is to receive numerous motor vehicles and a large quantity of construction materials.

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Although the system of countersale established by the party and government provides a new incentive for economic development, there are essential shortcomings in its organizations. One of the main shortcomings is that while the demand in kolkhozes for construction materials, trucks, and other commodities needed for production or household use continues to increase, the countersale in exchange for industrial crops, particularly flax and cotton, is carried on chiefly to satisfy the needs of kolkhoz farmers only for consumer goods. The demand of kolkhoz farmers for consumer goods in a number of cases is not taken into account by the procurement organizations and consumer cooperatives. Furthermore, many kolkhozes fail to issue monetary advances to kolkhoz farmers on time, thus depriving them of the opportunity to buy goods under the countersale system. This lessens the value of countersale as an economic stimulus in the development of kolkhoz economy. To build up this incentive, it is necessary to eliminate these shortcomings and increase the assortment of manufactured goods sold to kolkhozes under the contract system.(5)

SOURCES

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2. Voprosy Ekonomiki No 4, Moscow, 1954, p 28
3. Bloknot Agitatora No 29, Moscow, Oct 53, pp 30-38
4. Voprosy Ekonomiki No 12, 1953, pp 39-47
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